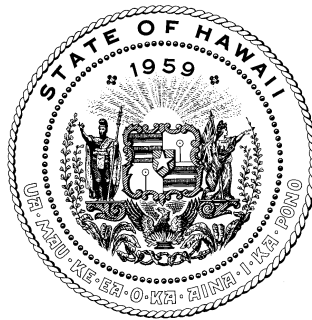


Report to the Twenty-Fourth Legislature
Regular Session of 2007

GEOTHERMAL ROYALTIES DISPOSITIONS
AND
STATUS OF GEOTHERMAL AND CABLE SYSTEM DEVELOPMENT



Prepared by the
Department of Land and Natural Resources
State of Hawaii

In response to
Sections 182-18 and 196D-11, Hawaii Revised Statutes

November 2006

**Fiscal Year 2005-2006
Report on Geothermal Royalty Dispositions
and Status of Geothermal and Cable System Development**

This report is prepared pursuant to Sections 182-18 and 196D-11, Hawaii Revised Statutes (HRS), and covers the period July 1, 2005 through June 30, 2006.

Section 182-18, HRS - Geothermal Royalties

In Fiscal Year (FY) 2005-2006, a total of \$1,855,394 in geothermal royalties was received from Puna Geothermal Venture (PGV). In accordance with statutory provisions, \$556,618.20 (30%) and \$371,078.80 (20%) were distributed to the County of Hawaii and the Office of Hawaiian Affairs, respectively. Geothermal royalties for FY 2005-2006 were based on power production and sale of 232,320 megawatts to Hawaii Electric Light Company (HELCO) at an annual hourly average production of 27.5 megawatts.

During the fiscal year, PGV completed the construction of production well KS-6 and injection well KS-13, and was able to produce a net average of 30 megawatts to the electrical power grid with the increased production and injection capacity. However, during the second half of the fiscal year, PGV's two newest production wells showed signs of downturn and surveys revealed signs of blockage in the wellbores. PGV plans to perform a work-over of the wells in FY 2006-2007.

Section 196D-11, HRS - Geothermal and Cable System Development

The Department of Land and Natural Resources (DLNR) is responsible for the effective management of geothermal resources and its development, to protect the health and safety of the public and to ensure the continued viability of the resource for the future. The Department of Business, Economic Development and Tourism (DBEDT) has no specific regulatory authority, however, through its planning and coordination of energy programs in the State, facilitates the commercial development of geothermal resources.

Currently, the Island of Hawaii is the only island benefiting from geothermal development. Power generation from geothermal energy began in May 1993 and currently provides more than 20% of the Island's power demands.

The Mineral Resources Program within DLNR was abolished in 1995 in response to budget reductions. Statutory, regulatory, and resource management responsibilities continue to be performed on an "ad hoc" basis under other Departmental programs within the Engineering Division of DLNR.

No program work was performed during the past fiscal year to effectuate the intent of this statute due to other priorities undertaken by the Engineering Division.